Financial Statements of

SASKATOON 2 PROPERTIES LIMITED PARTNERSHIP

December 31, 2008

KPMG LLP
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AUDITORS' REPORT TO THE LIMITED PARTNERS

We have audited the statement of financial position of Saskatoon 2 Properties Limited Partnership as at December 31, 2008 and the statements of operations and comprehensive income, limited partners' equity and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
February 5, 2009

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

Statement of Operations and Comprehensive Income

For the year ended December 31, (Thousands of dollars)	2008	2007
Operating revenues	$4,431	$4,225
Operating expenses		
Operations	1,788	1,768
Depreciation and amortization	655	581
	2,443	2,349
Income from operations	1,988	1,876
Interest expense	608	630
Net income	1,380	1,246
Other comprehensive income	-	-
Comprehensive income	$1,380	$1,246

See accompanying notes

Statement of Limited Partners' Equity

For the year ended December 31, (Thousands of dollars)	2008	2007
Balance, beginning of year	$731	$485
Net income	1,380	1,246
	2,111	1,731
Partners' withdrawals	(900)	(1,000)
Balance, end of year	$1,211	$731

See accompanying notes

Saskatoon 2 Properties Limited Partnership

Statement of Financial Position

As at December 31, (Thousands of dollars)	2008	2007
Assets		
Current assets		
Cash	$133	$391
Short-term investments	471	412
Accounts receivable	62	41
Prepaid expenses	35	50
	701	894
Leasing costs and tenant inducements (Note 5)	954	972
Real estate assets (Note 6)	9,018	8,717
	$10,673	$10,583
Liabilities and limited partners' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10a)	$218	$266
Current portion of long-term debt (Note 7)	395	371
	613	637
Deferred revenue	33	23
Long-term debt (Note 7)	8,816	9,192
	9,462	9,852
Limited partners' equity (Note 8)		
Partners' capital, 101 units issued at $1.00 per unit	-	-
Partners' equity	1,211	731
	1,211	731
	$10,673	$10,583

See accompanying notes

On behalf of the Partnership

Robert Watson

Mike Anderson

Statement of Cash Flows

For the year ended December 31, (Thousands of dollars)	2008	2007
Operating activities		
Net income	$1,380	$1,246
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	674	600
Net change in non-cash working capital (Note 10b)	(36)	72
Cash provided by operating activities	2,018	1,918
Investing activities		
Purchase of short-term investments	(67)	(404)
Leasing costs and tenant inducements	(185)	(371)
Real estate expenditures	(753)	-
Cash used in investing activities	(1,005)	(775)
Financing activities		
Partners' withdrawals	(900)	(1,000)
Repayment of long-term debt	(371)	(349)
Cash used in financing activities	(1,271)	(1,349)
Decrease in cash	(258)	(206)
Cash, beginning of year	391	597
Cash, end of year	$133	$391

See accompanying notes

Notes to Financial Statements

Note 1 – Description of Business

Saskatoon 2 Properties Limited Partnership (the Partnership) is registered as a limited partnership in accordance with the *Partnership Act* of the Province of Saskatchewan. The Partnership was established for the purpose of acquiring and operating the Saskatoon Square (the rental property) located in Saskatoon, Saskatchewan. Colliers McClocklin Real Estate Corp. has been appointed as the rental property manager. The rental property is registered in the name of the Saskatoon 2 Management Ltd., general partner, who holds its interest in the rental property as the bare trustee for the Partnership.

The financial statements include only the assets, liabilities, capital, revenue and expenses of the Partnership and do not include any other assets, liabilities, revenues or expenses of the Partners.

Note 2 – Change in accounting policies

Effective January 1, 2008, the Partnership adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Partnership's operating results.

Effective January 1, 2008, the Partnership adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments – disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Partnership's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Partnership's operating results.

Note 3 – Summary of significant accounting policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Cash

Cash consists of balances with financial institutions, which have an initial term to maturity of three months or less.

Short-term investments

Short-term investments consist of investments in Guaranteed Investments Certificates.

Leasing costs and tenant inducements

Tenant inducement costs are capitalized and amortized over the term of the related leases.

Notes to Financial Statements

Note 3 – Summary of significant accounting policies, continued

Real estate assets

Real estate assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful life of the asset.

Asset	Estimated useful life
Buildings	25 years
Parkade lease	17 years

Revenue recognition

The Partnership recognizes rental revenues evenly throughout the term of the lease. Interest revenue is recognized over the term to maturity of the investment.

Deferred financing costs

Deferred financing costs are amortized over the term of the debt using the effective interest method.

Income taxes

As the Partnership is unincorporated, no provision has been made in the accounts for partners' income taxes. These statements are of the Partnership only and do not include any other assets, liabilities, revenues and expenses of the limited partners.

Financial instruments

Upon initial recognition, financial instruments are measured at fair value and are classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables or other liabilities. Held-to-maturity assets are carried at amortized cost with amortized premiums or discounts and other than temporary losses due to impairment included in net income. Held-for-trading assets and liabilities are carried at fair value with any gains or losses included in net income. Available-for-sale assets are carried at fair value with revaluation gains or losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, and other liabilities are accounted for at amortized cost using the effective interest method. Transaction costs are included in the initial carrying value of the financial instrument except for held-for-trading instruments in which case they are expensed as incurred.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management periodically reviews the carrying value of the Partnership's real estate assets and if management determines that the carrying value cannot be recovered from future cash flows, the unrecoverable amount is written off against income. Periodic reviews are also done of the estimated useful lives of the real estate assets to determine an adequate charge against income for amortization expense. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Notes to Financial Statements

Note 4 – Accounting policy developments

International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Partnership, will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Partnership has commenced an IFRS conversion project including initiating the development of a high level IFRS implementation plan through one of the partners. An external advisor has been engaged by the partner to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Partnership's future financial position and results of operations is not reasonably determinable.

Note 5 – Leasing costs and tenant inducements

	2008	2007
		(Thousands of dollars)
Leasing costs and tenant inducements	$1,613	$1,444
Less accumulated amortization	659	472
	$954	$972

Amortization for the year totaled $218,115 (2007 - $159,931).

Note 6 – Real estate assets

	Cost	Accumulated depreciation and amortization	Net book value	
			2008	2007
			(Thousands of dollars)	
Buildings	$9,844	$1,921	$7,923	$7,559
Land	367	-	367	367
Parkade lease	1,060	332	728	791
	$11,271	$2,253	$9,018	$8,717

Depreciation and amortization for the year totaled $451,910 (2007 - $427,388).

Notes to Financial Statements

Note 7 – Long-term debt

	2008	2007
		(Thousands of dollars)
Due to The Manufacturers Life Insurance Company, secured by way of a first mortgage on the real property, bearing interest at 6.28% amortized over 20 years; blended monthly installments of $80,078; due October, 2013	$9,306	$9,677
Less unamortized deferred financing costs	95	114
	$9,211	$9,563
Less current portion of long-term debt	395	371
	$8,816	$9,192

Approximate principal repayments due in the next five years are as follows:

	(Thousands of dollars)
2009	$395
2010	420
2011	447
2012	476
2013	7,568

Note 8 – Partners' capital and additional capital disclosures

a) Partners' capital

Partners' capital consists of 101 units issued at $1.00 per unit.

b) Additional capital disclosures

The Partnership's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of the Partnership, and to ensure adequate returns to the partners.

The capital structure is determined in conjunction with the partners based on the approved business plans.

The Partnership monitors capital on the basis of approved budgets and forecasts.

The Partnership's strategy, which is unchanged from 2007, is to maintain cash reserves sufficient to manage operations and foreseeable cash requirements.

The Partnership is not subject to any externally imposed capital requirements.

Notes to Financial Statements

Note 9 – Commitments and contingencies

The Partnership is committed to payments totaling $18,615 pursuant to an elevator maintenance contract expiring September 30, 2009. The payments are subject to annual escalation changes.

The Partnership is committed to spend approximately $617,903 towards the cost of cooling tower equipment.

In the normal course of operations, the Partnership becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2008 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Partnership's financial position or results of operations.

Note 10 – Additional financial information

a) Balance sheet

	2008	2007
	(Thousands of dollars)	
Accounts payable and accrued liabilities		
Trade accounts payable and accrued liabilities	$173	$221
Payroll and other employee-related liabilities	12	11
Interest payable	33	34
	$218	$266

b) Supplementary cash flow information

	2008	2007
	(Thousands of dollars)	
Net change in non-cash working capital		
Accounts receivable	$(13)	$(15)
Prepaid expenses	15	158
Accounts payable and accrued liabilities	(48)	(70)
Deferred revenue	10	(1)
	$(36)	$72
Interest paid	$590	$609

Note 11 – Financial instruments

The Partnership's financial instruments include cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and long-term debt, which by their nature are subject to risks.

a) Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly

Notes to Financial Statements

Note 11 – Financial instruments, continued

affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-orientated information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following table represents the carrying amounts and fair values of financial assets and liabilities measured at fair value or amortized cost:

(Thousands of dollars)		2008		2007	
Financial Instruments	Classification[1]	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash	HFT	**$133**	**$133**	$391	$391
Short-term investments	HFT	**471**	**471**	412	412
Accounts receivable	LAR	**62**	**62**	41	41
Financial Liabilities					
Accounts payable and accrued liabilities	OL	**$218**	**$218**	$266	$266
Long-term debt	OL	**9,211**	**10,285**	9,563	10,678

[1] Classification details are:
HFT – held-for-trading
LAR – loans and receivables
OL – other liabilities

The carrying values of cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The fair value of the Corporation's long-term debt is estimated based on quoted market prices for the issue or for similar issues.

b) Interest rate risk

The Partnership is exposed to interest rate risk arising from fluctuations in interest rates on short-term investments and long-term debt. The most significant of these is interest rate risk related to issuance of long-term debt. However, due to the nature of the obligations and primarily fixed rate debt, interest rate risk has been assessed as minimal and is therefore not actively managed.

Interest rate risk on short and long-term liabilities are managed based on the refinancing needs of the Partnership using derivative financial instruments when deemed appropriate.

The average effective interest rate on the Partnership's long-term debt was 6.55% while the average interest rate on long-term debt was 6.28%.

c) Market risk

The Partnership is exposed to market risk on short-term investments. Fair value adjustments will fluctuate based on changes in market prices, however the fluctuations should not be significant due to the short term nature of the investments.

Notes to Financial Statements

Note 11 – Financial instruments, continued

d) Credit risk

The Partnership is exposed to credit risk through its short-term investments and accounts receivable. Credit risk related to short-term investments is minimized by dealing with institutions that have strong credit ratings. Credit risk related to customer accounts receivable is minimized because of the diverse customer base covering many business sectors. The Partnership evaluates customer credit risk and limits credit availability when necessary.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	2008	2007
		(Thousands of dollars)
Cash	$133	$391
Short-term investments	471	412
Accounts receivable	62	41
	$666	$844

The aging of customer receivables, which indicates potential impairment losses, is as follows:

	2008	2007
		(Thousands of dollars)
Current	$62	$40
30-60 days past billing date	-	-
61-90 days past billing date	-	-
Greater than 90 days past billing date	-	1
Total	$62	$41

Provisions for credit losses are regularly assessed by the Partnership. Based on an analysis of the aging of customer accounts and the collection history, no provision for credit losses is required.

e) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

December 31, 2008

	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years	3-5 years	More than 5 years
						(Thousands of dollars)	
Long-term debt	$9,306	$11,792	$481	$480	$961	$9,870	$-
Accounts payable and accrued liabilities	218	218	218	-	-	-	-
	$9,524	$12,010	$699	$480	$961	$9,870	$-

Notes to Financial Statements

Note 11 – Financial instruments, continued

December 31, 2007	Carrying Amount	Contractual cash flows	6 mths or less	7-12 mths	2 years	3-5 years	More than 5 years
						(Thousands of dollars)	
Long-term debt	$9,677	$12,753	$480	$481	$961	$2,883	$7,948
Accounts payable and accrued liabilities	266	266	266	-	-	-	-
	$9,943	$13,019	$746	$481	$961	$2,883	$7,948

Sufficient operating cash flows are expected to be generated to fund these contractual obligations. In addition, the Partnership has credit facilities available to refinance maturities in excess of anticipated operating cash flows.

Note 12 – Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan and the Saskatchewan Telecommunications Holding Corporation (collectively referred to as "related parties"). Also included are transactions with corporations and partnerships controlled by members of the Partnership.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding with corporations and partnerships controlled by members of the Partnership and entities under common or joint control or significant influence with the Government of Saskatchewan are as follows:

	2008	2007
		(Thousands of dollars)
Operating revenues	**$1,964**	$1,862
Operating expenses	**150**	139
Accounts receivable	**26**	12
Accounts payable and accrued liabilities	**26**	21

In addition, the Partnership pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes hereto.

Note 13 – Comparative figures

Certain of the 2007 figures have been restated to conform to the current year's presentation.